

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name County of Iron	County Iron
Audit Date 12/31/05	Opinion Date 5/23/06	Date Accountant Report Submitted to State: 6/30/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLLC			
Street Address 901 Ludington Street	City Escanaba	State MI	ZIP 49829
Accountant Signature Kevin C. Pascoe, CPA			

COUNTY OF IRON, MICHIGAN

BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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**ANDERSON, TACKMAN & COMPANY, PLC**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Iron
Crystal Falls, Michigan 49920

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Iron's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Iron County Medical Care Facility, which represent 65%, 68%, and 65%, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Iron County Medical Care Facility, is based on the report of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2006, on our consideration of the County of Iron, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 12 and 59 through 63, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Iron's basic financial statements. The combining nonmajor fund financial statements and the continuing disclosure filing are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the County of Iron, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Anderson, Tackman & Company P.C.

Certified Public Accountants

May 23, 2006

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Iron County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2005. Please read it in conjunction with the County's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$(4,601,791) for 2005 and were \$3,288,445 for 2004, a decrease of \$7,890,236. The primary reason for the significant decline in net assets relates to the transfer of capital assets in the amount of \$9,016,165 to the Medical Care Facility upon completion of the expansion project completed in 2005. Otherwise, net assets would have increased \$1,125,931. For 2005, net assets for our business-type activities were \$1,629,409, while net assets in our governmental activities were \$(6,231,200).
- The County's expenses for 2005 totaled \$7,071,005, revenues totaled \$8,455,241, and net transfers totaled \$(9,274,472) resulting in a decrease of net assets in the amount of \$7,890,236.
- In the County's business type activities, total revenues were \$297,350, or 3.5% of total revenue, expenses totaled \$121,588, or 1.7% of total expenses, and net transfers were \$(42,653). This provides excess revenue over expenses of \$133,109.
- The General Fund reported a decrease in fund balance of \$11,147 in 2005 and a decrease of \$43,742 in 2004, representing a decrease in fund balance of 1.6% and 6%, respectively. This was after revenues of \$4,218,508 compared to \$3,834,042 in 2004, and expenditures of \$4,067,599 compared to expenditures of \$3,939,437 in 2004.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13, 14 and 15) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 16. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes, state shared revenues and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Construction Code and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; County Road Commission, District Health Department and Medical Care Facility, which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 16 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as a Trustee

The County is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 25. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

The County as a Whole

The County's combined net assets declined by \$7,890,236.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Assets:				
Current and other assets	\$ 7,501,024	\$ 11,082,968	\$ 1,614,980	\$ 1,497,829
Capital assets (net)	5,172,575	12,344,205	15,000	-
Total Assets	<u>12,673,599</u>	<u>23,427,173</u>	<u>1,629,980</u>	<u>1,497,829</u>
Liabilities:				
Long-term debt outstanding	15,105,595	15,786,337	-	-
Other liabilities	3,799,204	5,848,693	571	1,529
Total Liabilities	<u>18,904,799</u>	<u>21,635,030</u>	<u>571</u>	<u>1,529</u>
Net Assets:				
Invested in capital assets, net of related debt	(171,655)	(2,832,025)	15,000	-
Restricted assets:				
Expendable	561,853	468,692	-	-
Unrestricted	(6,621,398)	4,155,476	1,614,409	1,496,300
Total Net Assets	<u>\$ (6,231,200)</u>	<u>\$ 1,792,143</u>	<u>\$ 1,629,409</u>	<u>\$ 1,496,300</u>

Net assets of the County's governmental activities stood at \$(6,231,200). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$(6,621,398).

Net assets in our business-type activities stood at \$1,629,409. Unrestricted net assets for our business-type activities were \$1,614,409.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Revenues:				
Program Revenues:				
Charges for services	\$ 1,580,015	\$ 1,447,996	\$ 275,003	\$ 265,231
Operating grants	984,923	2,343,234	-	-
Capital grants	181,616	132,564	-	-
General Revenues:				
Property taxes	5,361,094	3,466,836	-	-
State revenue sharing	-	77,464	-	-
Unrestricted investment earnings	50,243	16,675	22,347	11,807
Total Revenues	<u>8,157,891</u>	<u>7,484,769</u>	<u>297,350</u>	<u>277,038</u>
Program Expenses:				
Legislative	79,644	80,378	-	-
Judicial system	672,075	896,487	-	-
General government	2,447,381	1,832,135	-	-
Public safety	1,693,680	1,592,873	-	-
Health and welfare	504,713	573,309	-	-
Recreation and culture	502,295	586,300	-	-
Highway and transportation	146,268	151,403	-	-
Community development	112,630	290,388	-	-
Other	95,991	105,321	-	-
Interest on long-term debt	694,740	708,534	-	-
Delinquent tax revolving	-	-	42,763	46,962
Building inspection	-	-	78,825	69,082
Total Expenses	<u>6,949,417</u>	<u>6,817,128</u>	<u>121,588</u>	<u>116,044</u>
Excess (deficiency) before transfers and contributions	1,208,474	667,641	175,762	160,994
Transfers	<u>(9,231,819)</u>	<u>(5,528)</u>	<u>(42,653)</u>	<u>(3,001)</u>
Increase (decrease) in net assets	(8,023,345)	662,113	133,109	157,993
Net assets - beginning	<u>1,792,145</u>	<u>1,130,032</u>	<u>1,496,300</u>	<u>1,338,307</u>
Net assets - ending	<u>\$ (6,231,200)</u>	<u>\$ 1,792,145</u>	<u>\$ 1,629,409</u>	<u>\$ 1,496,300</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Governmental Activities

Revenues for the County's governmental activities totaled \$8,157,891, while expenses were \$6,949,417. The excess of revenue over expenses was \$1,208,474 before transfers.

Table three below reflects the cost of each of the County's five largest activities; General government, public safety, judicial system, cultural and recreation, and health and welfare, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
General government	\$ 2,447,381	\$ 1,832,135	\$ 1,597,612	\$ (242,683)
Public safety	1,693,680	1,592,873	1,081,212	1,203,165
Judicial system	672,075	896,487	(5,138)	893,987
Health and welfare	504,713	573,309	77,369	5,344
Cultural and recreation	502,295	586,300	166,732	69,346
Totals	<u>\$ 5,820,144</u>	<u>\$ 5,481,104</u>	<u>\$ 2,917,787</u>	<u>\$ 1,929,159</u>

Business-Type Activities

The County's business-type activities net assets totaled \$1,629,409, with an increase in the current year of \$133,109.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$4,013,235, which was all unreserved. The General Fund unreserved fund balance amounted to \$698,675. The General Fund had a decrease in fund balance of \$11,147, representing a decrease of 1.6% over the prior year fund balance. The previous year (2004) had a decrease in fund balance of \$43,742, representing a decrease of 6% over the prior year (2003) fund balance. The main reason for the decline has been a result of State funded program reductions.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

The Maintenance of Effort – Medicare Fund had a fund balance of \$586,549, in which \$284,365 is designated for a final settlement payment to be made in the year 2009 to the State of Michigan Department of Social Services for the County Medical Care Facility Maintenance of Effort.

The Revenue Sharing Reserve Fund had a fund balance of \$1,099,670, which is all unreserved and will be drawn down over the next 8.63 years providing a stable source of tax revenue to replace the eliminated State Revenue Sharing.

The 2002 Medical Care Facility Bond Debt Retirement Fund and 2002 Medical Care Facility Construction Fund had unreserved fund balance of \$70,234 and \$162,067, respectively.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times to recognize unbudgeted revenue and authorize required expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$257,655, representing an increase of 6.4%. The original budget was conservative in recognizing revenues as a budgeting tool to deal with uncertain revenue sources. A total of \$259,875 or 100% plus of the positive revenue change from the original budget was in new grants and amended state contracts received after the original budget adoption. The remaining amended budget revenue recognition occurred as firm actual receipts took place during the year (i.e. increased fees for services, decreased federal payment in lieu of taxes, and increased interest earnings). Additionally, the County sold fixed assets (two lake front lots for \$154,065 net and a patrol car for \$6,825) which were used to transfer to the Parks Fund (\$90,000), the Courthouse Repair Fund (\$31,000), and the Budget Stabilization Fund (\$31,000) and to purchase a replacement patrol car and fund needed repairs and improvements (change in assets). The County also transferred \$39,653 in interest earnings from the Delinquent Tax Revolving Fund to the General Fund in order to finance an appropriation to the District Health Department.

Actual revenue of \$4,218,508 was comparable with final amended budgeted revenue of \$4,253,934, resulting in a variance of \$(35,426) or (0.8%). The final amended budgeted expenditures increased by \$295,096 over the original budget, representing an increase of 7.6%. A total of \$218,344 or 74% of the expenditure net change from the original budget was in expenditure authorization associated with the new grants (\$88,946 Remonumentation and \$55,131 Homeland Security) and contractual State contract cost sharing related to a permanent full time Trial Court Judge (\$74,267). The remaining amended budget expenditure authorization changes occurred as firm expenses were realized during the year (i.e. increased defined benefit retirement costs, decreased workers compensation costs, increased utility and motor fuel costs and decreased consumer driven health care costs). Once uncertain costs and revenues were identified, personnel raises were authorized. As a result of uncertain program funding the original budget projected a decrease in fund balance of \$171,557, while the amended budget projected a decrease in fund balance of \$125,189, a 30% reduction as revenues and expenditures were identified. With the difference between the State fiscal year (October 1 through September 30) and the County's fiscal year (January 1 through December 31) the budget must provide at year-end for uncertain or slow reimbursement on grants and programs that are run through the State. Actual results showed a decrease to fund balance of \$11,147 compared

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

to \$43,742 in 2004. Actual expenditures amounted to \$4,067,599 compared with final amended budgeted expenditures of \$4,199,589, resulting in a positive variance of \$96,564 or 2.3%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the County had \$5,187,575, net of accumulated depreciation, invested in a variety of capital assets including land, buildings, vehicles, equipment and infrastructure. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Land	\$ 166,118	\$ 166,118	\$ -	\$ -
Buildings	4,753,939	4,944,301	-	-
Vehicles	51,003	26,497	15,000	-
Equipment	163,022	-	-	-
Construction in progress	-	7,163,943	-	-
Infrastructure	38,493	43,346	-	-
Totals	<u>\$ 5,172,575</u>	<u>\$ 12,344,205</u>	<u>\$ 15,000</u>	<u>\$ -</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

DEBT

At year-end the County had \$15,105,595 in bonds and loans outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
General Obligation Unlimited Bonds:				
Medical Care Facility - 1992	\$ -	\$ 930,000	\$ -	\$ -
Jail - 1995	140,000	2,220,000	-	-
Medical Care Facility - 2002	8,485,000	8,840,000	-	-
County Courthouse Complex - 2003	2,742,230	2,792,230	-	-
Refunding Bonds - 2005	2,960,000	-	-	-
General Obligation Limited Bonds:				
County Courthouse Complex - 2003	387,000	394,000	-	-
US 2 Lift Station Improvements - 2004	107,000	120,000	-	-
Maintenace of Effort Obligation	284,365	289,177	-	-
Totals	<u>\$ 15,105,595</u>	<u>\$ 15,585,407</u>	<u>\$ -</u>	<u>\$ -</u>

There were additions of \$2,960,000 to long-term debt this fiscal year for the refunding of the Medical Care Facility Bonds, Series 1992 and Jail Bonds, Series 1995. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$15,105,595 is well below statutory limits. There is no outstanding debt for business-type activities at year-end.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County Board of Commissioners and county management have considered many factors when it set and amends the 2006 fiscal year budget, and tax rates and fees that will be charged for services. One of these factors is the certainty of no State Revenue Sharing and the amount the County may transfer from the replacement Revenue Sharing Reserve Fund as well as the uncertainty of other changes in State Government which will affect the way programs and services are provided and funded. The County has eliminated general fund programs and cut back and reorganized staffing while increasing and establishing fees for services (i.e. cost of prosecution fees, which are ordered by the courts as well as implementing a cost of services fee structure if allowable by the State). The Board of Commissioners has reviewed its extensive property holdings, identified lakefront and riverfront properties (which were surveyed for lot division) that do not serve a public purpose and are offering these for sale to increase the tax base and fund capital asset improvements. The economy in the Iron County area has stabilized as to job growth or job loss. The cost of living in the Iron County area is well below the national and state average, but real estate values continue to climb and are now peaking on lake and river frontage. The growth of costs continue to rise at the national inflation rate or lower, with the exception of motor vehicle fuel, utility, and health care costs which continue to be a concern for the County and local employers. As a small area rated employer, the County has experienced for five years annual premium increases of 20-30%. Since implementing consumer driven health care our annual health care costs have increased 9% in July of 2004 and 16% in July of 2005, and a decrease of 11% single person coverage, 10% two person coverage and 9.5% for family with D.C. rider coverage effective July of 2006. These factors were taken into account when adopting the 2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, tax payers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Iron County Courthouse, 2 South Sixth Street, Suite 7, Crystal Falls, Michigan 49920-1413.

COUNTY OF IRON, MICHIGAN
STATEMENT OF NET ASSETS
December 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 3,191,814	\$ 1,108,612	\$ 4,300,426
Receivables:			
Accounts	62,513	-	62,513
State of Michigan	343,367	-	343,367
Current/delinquent property taxes	3,540,854	-	3,540,854
Notes	331,113	-	331,113
Prepays	27,323	-	27,323
Inventory	4,040	-	4,040
Total current assets	<u>7,501,024</u>	<u>1,108,612</u>	<u>8,609,636</u>
Noncurrent assets:			
Investments/assets limited to use	-	-	-
Delinquent taxes	-	445,847	445,847
Accrued interest on taxes	-	60,521	60,521
Capital assets, net of accumulated depreciation	5,172,575	15,000	5,187,575
Other assets	-	-	-
Total noncurrent assets	<u>5,172,575</u>	<u>521,368</u>	<u>5,693,943</u>
Total assets	<u>\$ 12,673,599</u>	<u>\$ 1,629,980</u>	<u>\$ 14,303,579</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 284,206	\$ 438	\$ 284,644
Accrued payroll	86,240	133	86,373
Accrued interest	100,740	-	100,740
Deferred revenue	3,111,349	-	3,111,349
Internal balances	5,994	-	5,994
Other liabilities	-	-	-
Long-term liabilities due within one year:			
Compensated absences	52,669	-	52,669
Bonds/loans payable	699,000	-	699,000
Total current liabilities	<u>4,340,198</u>	<u>571</u>	<u>4,340,769</u>
Long-term liabilities:			
Compensated absences	158,006	-	158,006
Bonds/loans payable	14,406,595	-	14,406,595
Total long-term liabilities	<u>14,564,601</u>	<u>-</u>	<u>14,564,601</u>
Total liabilities	<u>18,904,799</u>	<u>571</u>	<u>18,905,370</u>
NET ASSETS			
Invested in capital assets, net of related debt	(171,655)	15,000	(156,655)
Restricted for expendable:			
Special revenue	94,755	-	94,755
Debt service	467,098	-	467,098
Unrestricted	<u>(6,621,398)</u>	<u>1,614,409</u>	<u>(5,006,989)</u>
Total net assets	<u>(6,231,200)</u>	<u>1,629,409</u>	<u>(4,601,791)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,673,599</u>	<u>\$ 1,629,980</u>	<u>\$ 14,303,579</u>

See accompanying notes to the financial statements

Component Units		
Road Commission	District Health	Medical Care Facility
\$ 123,712	\$ 314,380	\$ 392,575
152,110	133,860	770,056
448,724	4,555	-
-	-	-
-	-	-
-	16,715	-
631,204	-	149,985
<u>1,355,750</u>	<u>469,510</u>	<u>1,312,616</u>
-	-	370,784
-	-	-
-	-	-
8,206,569	67,686	17,383,587
20,700	-	-
<u>8,227,269</u>	<u>67,686</u>	<u>17,754,371</u>
<u>\$ 9,583,019</u>	<u>\$ 537,196</u>	<u>\$ 19,066,987</u>
\$ 475,024	\$ 53,448	\$ 627,497
30,668	77,539	484,703
32,316	-	25,992
213,427	-	-
-	-	-
219,622	367	135,045
75,777	42,828	828,950
45,000	-	138,879
<u>1,091,834</u>	<u>174,182</u>	<u>2,241,066</u>
227,333	128,486	-
<u>2,166,900</u>	<u>-</u>	<u>3,600,414</u>
<u>2,394,233</u>	<u>128,486</u>	<u>3,600,414</u>
<u>3,486,067</u>	<u>302,668</u>	<u>5,841,480</u>
5,994,669	67,686	13,644,294
-	-	-
-	-	169,799
<u>102,283</u>	<u>166,842</u>	<u>(588,586)</u>
<u>6,096,952</u>	<u>234,528</u>	<u>13,225,507</u>
<u>\$ 9,583,019</u>	<u>\$ 537,196</u>	<u>\$ 19,066,987</u>

COUNTY OF IRON, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Component Units
Primary government:						
Governmental activities:						
Legislative	\$ 79,644	\$ -	\$ -	\$ (79,644)	\$ -	\$ -
Judicial system	672,075	182,432	494,781	5,138	-	-
General government	2,447,381	522,396	227,373	(1,597,612)	-	-
Public safety	1,693,680	395,155	217,313	(1,081,212)	-	-
Health & welfare	504,713	30,479	38,420	(77,369)	-	-
Cultural and recreation	502,295	285,132	3,250	(166,732)	-	-
Highway & transportation	146,268	5,226	400	(499,087)	-	-
Community development	112,630	135,016	1,363	58,184	-	-
Other	95,991	24,179	2,023	(69,789)	-	-
Interest on long-term debt	694,740	-	-	(694,740)	-	-
Total governmental activities	6,949,417	1,580,015	984,923	(4,202,863)	-	-
Business-type activities:						
Delinquent tax revolving/tax collections	42,763	191,698	-	-	148,935	-
Building inspection	78,825	83,305	-	-	4,480	-
Total business-type activities	121,588	275,003	-	-	153,415	-
Total primary government	\$ 7,071,005	\$ 1,855,018	\$ 984,923	\$ (4,202,863)	\$ 153,415	\$ -
Component units:						
Road Commission	2,885,930	820,643	3,629,822	-	-	1,564,535
Medical Care Facility	13,250,949	11,968,744	247,562	-	-	(1,034,643)
District Health Department	2,335,710	1,189,022	877,210	-	-	(269,478)
Total component units	\$ 18,472,589	\$ 13,978,409	\$ 4,754,594	\$ -	\$ -	\$ 260,414
General revenues:						
Property taxes, levied for general purpose				4,034,739	-	-
Property taxes, levied for debt service				1,326,355	-	-
Unrestricted investment earnings				50,243	22,347	35,622
Special items:						
Gain on disposal of equipment				-	-	25,801
Transfer of capital assets to Medical Care Facility				(9,016,165)	-	9,953,896
Transfers				(215,654)	(42,653)	258,307
Total general revenues, special items, and transfers				(3,820,482)	(20,306)	10,273,626
Change in net assets				(8,023,345)	133,109	10,534,040
Net assets, beginning				1,792,145	1,496,300	9,022,947
Net assets, ending				\$ (6,231,200)	\$ 1,629,409	\$ 19,556,987

See accompanying notes to the financial statements

COUNTY OF IRON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	<u>General Fund</u>	<u>Maintenance of Effort - Medicare</u>	<u>Revenue Sharing Reserve</u>	<u>2002 MCF Bond Debt Retirement</u>
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 396,166	\$ 638,902	\$ 465,698	\$ 70,234
Receivables:				
State of Michigan	287,021	-	-	-
Current property taxes	849,904	513,876	730,543	720,137
Accounts	44,983	-	-	-
Notes	-	-	-	-
Due from other funds	141,406	-	44,835	-
Inventory	-	-	-	-
Prepaid expense	27,323	-	-	-
	<u>\$ 1,746,803</u>	<u>\$ 1,152,778</u>	<u>\$ 1,241,076</u>	<u>\$ 790,371</u>
LIABILITIES				
Accounts payable	\$ 121,023	\$ 52,353	\$ -	\$ -
Due to other funds	74,124	-	141,406	-
Accrued payroll and related liabilities	74,294	-	-	-
Deferred revenue	778,687	513,876	-	720,137
	<u>1,048,128</u>	<u>566,229</u>	<u>141,406</u>	<u>720,137</u>
FUND BALANCES				
Unreserved:				
Designated	-	284,365	-	-
Undesignated	698,675	302,184	1,099,670	70,234
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
	<u>698,675</u>	<u>586,549</u>	<u>1,099,670</u>	<u>70,234</u>
Total liabilities and fund balances	<u>\$ 1,746,803</u>	<u>\$ 1,152,778</u>	<u>\$ 1,241,076</u>	<u>\$ 790,371</u>

See accompanying notes to the financial statements

2002 MCF Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 217,635	\$ 1,403,179	\$ 3,191,814
-	56,346	343,367
-	726,394	3,540,854
-	17,530	62,513
-	331,113	331,113
-	67,532	253,773
-	4,040	4,040
-	-	27,323
<u>\$ 217,635</u>	<u>\$ 2,606,134</u>	<u>\$ 7,754,797</u>
\$ 55,568	\$ 55,262	\$ 284,206
-	44,237	259,767
-	11,946	86,240
-	1,098,649	3,111,349
<u>55,568</u>	<u>1,210,094</u>	<u>3,741,562</u>
-	-	284,365
162,067	-	2,332,830
-	986,489	986,489
-	409,551	409,551
<u>162,067</u>	<u>1,396,040</u>	<u>4,013,235</u>
<u>\$ 217,635</u>	<u>\$ 2,606,134</u>	<u>\$ 7,754,797</u>

COUNTY OF IRON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2005

Total fund balances for governmental funds	\$ 4,013,235
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	166,118	
Buildings	6,685,882	
Vehicles	89,800	
Equipment	180,447	
Infrastructure	50,029	
Accumulated depreciation	<u>(1,999,701)</u>	
Total capital assets		5,172,575

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(100,740)	
Bonds/loans payable	(15,105,595)	
Compensated absences	<u>(210,675)</u>	<u>(15,417,010)</u>

Total net assets of governmental activities	<u><u>\$ (6,231,200)</u></u>
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See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	General Fund	Maintenance of Effort - Medicare	Revenue Sharing Reserve	2002 MCF Bond Debt Retirement
REVENUES:				
Taxes	\$ 2,543,777	\$ 500,260	\$ 730,543	\$ 710,850
Licenses and permits	7,340	-	-	-
Federal sources	297,367	-	-	-
State sources	579,034	-	-	-
Charges for services	485,846	-	-	-
Interest and rentals	50,243	20,155	3,894	-
Other	254,901	-	-	5,377
Total revenues	4,218,508	520,415	734,437	716,227
EXPENDITURES:				
Legislative	79,644	-	-	-
Judicial system	619,496	-	-	-
General government	2,145,187	-	-	-
Public safety	1,109,736	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	36,333	-	-	-
Health and welfare	11,350	329,298	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	355,000
Interest	-	-	-	352,529
Other	65,853	-	-	268
Total expenditures	4,067,599	329,298	-	707,797
Excess revenues (expenditures)	150,909	191,117	734,437	8,430
OTHER FINANCING SOURCES (USES):				
Transfer in	268,177	-	-	-
Transfer out	(430,233)	(366,145)	(223,904)	-
Total other financing sources (uses)	(162,056)	(366,145)	(223,904)	-
Net change in fund balance	(11,147)	(175,028)	510,533	8,430
Fund balances - beginning of year	709,822	761,577	589,137	61,804
Fund balances - end of year	\$ 698,675	\$ 586,549	\$ 1,099,670	\$ 70,234

See accompanying notes to financial statements

2002 MCF Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 875,664	\$ 5,361,094
-	-	7,340
-	202,611	499,978
-	54,893	633,927
-	574,984	1,060,830
7,208	16,000	97,500
-	236,944	497,222
7,208	1,961,096	8,157,891
-	-	79,644
-	22,513	642,009
-	-	2,145,187
-	443,666	1,553,402
-	146,268	146,268
-	446,089	482,422
-	168,876	509,524
-	112,630	112,630
1,852,222	309,979	2,162,201
-	285,000	640,000
-	319,353	671,882
-	29,870	95,991
1,852,222	2,284,244	9,241,160
(1,845,014)	(323,148)	(1,083,269)
-	644,877	913,054
-	(108,426)	(1,128,708)
-	536,451	(215,654)
(1,845,014)	213,303	(1,298,923)
2,007,081	1,182,737	5,312,158
\$ 162,067	\$ 1,396,040	\$ 4,013,235

IRON COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Net changes in fund balances - total governmental funds \$ (1,298,923)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$261,438) and the transfer of capital assets to the Medical Care Facility (\$9,016,165) was more than capital outlays (\$2,105,972). (7,171,630)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. 475,000

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Maintenance of Effort	4,811		
Compensated absences	(9,745)		
Accrued interest on bonds	(22,858)		
		(27,792)	
Changes in net assets of governmental activities			\$ (8,023,345)

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

	Tax Revolving 2005	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 413,461	\$ 695,151	\$ 1,108,612
Total current assets	413,461	695,151	1,108,612
Noncurrent assets:			
Receivables:			
Delinquent taxes	380,932	64,915	445,847
Accrued interest on taxes	38,094	22,427	60,521
Capital assets, net of accumulated depreciation	-	15,000	15,000
Total noncurrent assets	419,026	102,342	521,368
Total assets	\$ 832,487	\$ 797,493	\$ 1,629,980
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 438	\$ 438
Accrued payroll	-	133	133
Total liabilities	-	571	571
NET ASSETS			
Unrestricted	832,487	796,922	1,629,409
Total net assets	832,487	796,922	1,629,409
TOTAL LIABILITIES AND NET ASSETS	\$ 832,487	\$ 797,493	\$ 1,629,980

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Tax Revolving 2005	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
License and permits	\$ -	\$ 80,709	\$ 80,709
Charges for services	30,511	59,248	89,759
Penalties and interest on taxes	69,995	750	70,745
Other	44	33,746	33,790
	<u>100,550</u>	<u>174,453</u>	<u>275,003</u>
Total operating revenue			
OPERATING EXPENSES:			
Salaries and fringes	-	14,695	14,695
Administrative fees	206	37,936	38,142
Depreciation expense	-	3,000	3,000
Other	-	65,751	65,751
	<u>206</u>	<u>121,382</u>	<u>121,588</u>
Total operating expenses			
Operating income (loss)	<u>100,344</u>	<u>53,071</u>	<u>153,415</u>
NONOPERATING REVENUES (EXPENSES):			
Interest on investments	<u>3,678</u>	<u>18,669</u>	<u>22,347</u>
Income (loss) before transfers and contributions	104,022	71,740	175,762
Transfer in	728,465	3,994	732,459
Transfer out	<u>-</u>	<u>(775,112)</u>	<u>(775,112)</u>
Change in net assets	832,487	(699,378)	133,109
Total net assets - beginning	<u>-</u>	<u>1,496,300</u>	<u>1,496,300</u>
Total net assets - ending	<u>\$ 832,487</u>	<u>\$ 796,922</u>	<u>\$ 1,629,409</u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Tax Revolving 2005	Nonmajor Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ -	\$ 80,709	\$ 80,709
Cash received for collection of taxes	749,932	436,550	1,186,482
Other receipts	44	33,746	33,790
Payments for wages and related benefits	-	(14,859)	(14,859)
Cash payments for taxes	(1,068,452)	-	(1,068,452)
Other payments	(206)	(104,481)	(104,687)
Net cash provided (used) by operating activities	(318,682)	\$ 431,665	\$ 112,983
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfer in	728,465	3,994	732,459
Operating transfer out	-	(775,112)	(775,112)
Net cash provided (used) by noncapital financing activities	728,465	(771,118)	(42,653)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	-	(18,000)	(18,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	3,678	18,669	22,347
Net increase (decrease) in cash and equivalents	413,461	(338,784)	74,677
Cash and equivalents, beginning of year	-	1,033,935	1,033,935
Cash and equivalents, end of year	\$ 413,461	\$ 695,151	\$ 1,108,612
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 100,344	\$ 53,071	\$ 153,415
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	3,000	3,000
Changes in assets and liabilities:			
(Increase) decrease in receivables	(419,026)	376,552	(42,474)
Increase (decrease) in accounts payable	-	(794)	(794)
Increase (decrease) in other liabilities	-	(164)	(164)
Total adjustments	(419,026)	378,594	(40,432)
Net cash provided by operating activities	\$ (318,682)	\$ 431,665	\$ 112,983

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 1,009,993
Receivables:	
Accounts	785
Due from other governmental units	10,062
Due from other funds	<u>29,079</u>
Total assets	<u><u>\$ 1,049,919</u></u>
LIABILITIES	
Due to other funds	\$ 23,085
Undistributed taxes	610,184
Other liabilities	<u>416,650</u>
Total liabilities	<u><u>\$ 1,049,919</u></u>

See accompanying notes to financial statements

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Iron was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Iron County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Economic Development Corporation – The Economic Development Corporation was incorporated as a non-profit corporation under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Iron County. The Economic Development Corporation Board of Directors is appointed by the Iron County Board of Commissioners. Complete financial statements of the Economic Development Corporation can be obtained directly from their administrative office when available.

Economic Development Corporation
2 South Sixth, Suite 8
Crystal Falls, Michigan 49920

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Iron County Road Commission, Dickinson-Iron District Health Department, and the Iron County Medical Care Facility. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Iron County Road Commission – A three-member board governs The Road Commission, which are appointed by the County Board of Commissioners. The Road Commission may not issue debt or levy property taxes without the County's approval. The Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978 in the preparation and execution of its' annual general appropriations act. Complete financial statements at the Road Commission can be obtained directly from their administration office.

Iron County Road Commission
800 Franklin Street
Iron River, Michigan 49935

Dickinson-Iron District Health Department – The members of the governing board of the Dickinson-Iron District Health are jointly appointed by the Iron County Board of Commissioners and the Dickinson County Board of Commissioners. The Health Department's operations and capital budgets are approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office.

Dickinson-Iron District Health
601 Washington, P.O. Box 516
Stambaugh, Michigan 49964

Iron County Medical Care Facility – The Facility is a 200-bed, long-term medical care unit owned and operated by Iron County. The facility also operates a 25-bed assisted living unit. It is governed by the Iron County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the Iron County Board of Commissioners, and one appointed by the Michigan Governor. Further, the Iron County Board of Commissioners approves the budget for the Facility. Complete financial statements of the Facility can be obtained directly from their administrative office.

Iron County Medical Care Facility
1523 W. US 2
Crystal Falls, Michigan 49920

Joint Ventures – Iron County participates with Menominee and Dickinson Counties in operating Northpointe, a Mental Health Center. The Board was created to provide mental health services to the citizens of the three counties. Northpointe's Board of Directors was appointed by the respective county

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

board of commissioners, and consist of five members from Menominee and Dickinson County and two members from Iron County. Northpointe was formed to provide a full range of mental health services for residents located within the three counties as required and permitted by the Michigan Mental Health Code. Complete financial statements for the Northpointe Behavioral Healthcare Systems can be obtained directly from their administrative office.

Northpointe Behavioral Healthcare Systems
715 Pyle Drive
Kingsford, Michigan 49801

Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Iron:

Iron County Housing Corporation – The Housing Commission provides housing for the poor and the elderly with the use of federal (HUD) grants.

Iron County Chamber of Commerce – The Chamber of Commerce provides informational and economical development for tourism and business.

Iron County Community Hospitals, Inc. – The Community Hospitals, Inc. is a not-for-profit health system, which provides acute care and long-term care to the residents of Iron County, Michigan.

Accounting Policies - The accounting policies of the County of Iron conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, state revenue sharing and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, state revenue sharing, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance of Effort – Medicare Fund – The Maintenance of Effort - Medicare Fund was established to account for the maintenance of effort activities of the Medical Care Facility.

Revenue Sharing Reserve Fund – Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves the gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

2002 Medical Care Facility Bond Debt Retirement Fund – The 2002 Medical Care Facility Bond Debt Retirement Fund was established to account for the accumulation of resources for, and the payment of the bond debt relating to the construction of a 75-bed addition to the Medical Care Facility.

2002 Medical Care Facility Construction Fund – The 2002 Medical Care Facility Construction Fund was established to account for the construction of a 75-bed addition to the existing Facility.

The County reports the following as major proprietary funds:

Tax Revolving 2005 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving 2005 enterprise fund are charges to customers for interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of services and administrative expenses.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following January 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Iron adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)
General appropriations and functional groups
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2005. All budget amendments are presented to the Finance Committee. In December, the Board of Commissioners approved all amendments to the annual budget.

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments – Investments are carried at market with all dividends being reinvested.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is priced at cost as determined on the first-in, first-out method for the Youth Camp special revenue fund.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The 2005 taxable valuation of Iron County amounted to \$361,636,736 on which ad valorem taxes of 6.3941 mills were levied for County operations, .4864 mills for Youth Camp, 1.4431 mills for Maintenance of Effort – Medicare, .2643 mills for Senior Citizens Fund, .25 for Health Department, .675 mills for Refunded Bond Retirement, .60 mills for Courthouse Bond Retirement and 2.0 mills for the 2002 Medical Care Facility Bond Retirement.

The 2005 tax levy should raise approximately \$2,312,341 for County operating purposes, \$175,900 for the Youth Camp, \$521,878 for Maintenance of Effort – Medicare, \$95,581 for Senior Citizens Fund, \$90,409 for the Health Department, \$244,105 for Refunded Bond Retirement, \$216,818 for Courthouse Bond Retirement and \$722,727 for the 2002 Medical Care Facility Bond Retirement.

In 2005, the County was required by Public Act 357 of 2004 to set aside one-third of the December 2004 levy for County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County levied one-third of the property taxes for County operations and these funds were used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County will levy two-thirds of the total number of mills allocated for County

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

operations, with \$730,543 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal 2006 operations. In July 2006, the County will levy two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$730,543 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$2,191,629 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$223,904 was transferred for the 2005 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

Capital Assets – Capital assets which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives, except for road equipment, which the sum-of-the-year's-digits is computed:

	<u>Years</u>
Buildings	20 - 50
Equipment	3 - 20
Vehicles	3 - 5
Infrastructure - Roads	8 - 30
Infrastructure - Bridges	12 - 50

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B – CASH & EQUIVALENTS AND INVESTMENTS

The composition of cash and equivalents, and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 568,416	\$ 546,861
Uninsured	4,742,003	5,169,705
Total cash	<u>\$ 5,310,419</u>	<u>\$ 5,716,566</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ -	
Unrestricted	4,300,426	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	1,009,993	
Total cash and equivalents	<u>\$ 5,310,419</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 123,712	
District Health Department	314,380	
Medical Care Facility	392,575	
Total cash and equivalents	<u>\$ 830,667</u>	
Assets limited as to use:		
Medical Care Facility	<u>\$ 370,784</u>	

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B – CASH & EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk. The County carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State laws limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At December 31, 2005, the County held \$5,716,566 in certificates of deposit, and checking and savings accounts. Of this amount, \$5,169,705 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The County has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The County has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the County are in accordance with statutory authority.

Assets Limited as to Use:

Iron County Medical Care Facility – Assets limited as to use include assets held by trustees under indenture agreements and designated assets set aside by the board for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at December 31, 2005 are as follows:

General Fund	<u>\$ 141,406</u>	Revenue Sharing Reserve	<u>\$ 141,406</u>
Enhanced 911	23,295		
Revenue Sharing Reserve	44,835		
Flex Spending	<u>5,994</u>		
Subtotal	<u>74,124</u>	General Fund	<u>74,124</u>
Plat Book	3,500		
EDC/Revolving Loan	<u>40,737</u>		
Subtotal	<u>44,237</u>	Youth Camp	<u>44,237</u>
Flex Spending	<u>23,085</u>	General Trust & Agency	<u>23,085</u>
Total	<u><u>\$ 282,852</u></u>	Total	<u><u>\$ 282,852</u></u>

Financial Statement Presentation:

Governmental Funds	<u>\$ 253,773</u>	Governmental Funds	<u>\$ 259,767</u>
Fiduciary Funds	<u>29,079</u>	Fiduciary Funds	<u>23,085</u>
Total	<u><u>\$ 282,852</u></u>	Total	<u><u>\$ 282,852</u></u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance at 01/01/05	Additions	Disposals	Balance at 12/31/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 166,118	\$ -	\$ -	\$ 166,118
Construction in progress	7,163,943	1,852,222	9,016,165	-
Capital assets being depreciated:				
Buildings	6,655,882	30,000	-	6,685,882
Equipment	-	180,447	-	180,447
Vehicles	46,497	43,303	-	89,800
Infrastructure	50,029	-	-	50,029
Total capital assets	<u>14,082,469</u>	<u>2,105,972</u>	<u>9,016,165</u>	<u>7,172,276</u>
Less accumulated depreciation:				
Buildings	1,711,580	220,363	-	1,931,943
Equipment	-	17,425	-	17,425
Vehicles	20,000	18,797	-	38,797
Infrastructure	6,683	4,853	-	11,536
Total accumulated depreciation	<u>1,738,263</u>	<u>261,438</u>	<u>-</u>	<u>1,999,701</u>
Governmental activities capital assets, net	<u>\$ 12,344,206</u>	<u>\$ 1,844,534</u>	<u>\$ 9,016,165</u>	<u>\$ 5,172,575</u>
Business-type activities:				
Capital assets being depreciated:				
Vehicles	\$ -	\$ 18,000	\$ -	\$ 18,000
Total capital assets	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Less accumulated depreciation:				
Vehicles	-	3,000	-	3,000
Total accumulated depreciation	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 30,066
General government	71,220
Public safety	140,279
Cultural and recreation	19,873
Total governmental activities	<u>\$ 261,438</u>
Business-type activities:	
Building inspection	<u>\$ 3,000</u>

NOTE E - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 01/01/05	Additions	Disposals	Balance at 12/31/05
Capital assets not being depreciated:				
Land and improvements	\$ 26,568	\$ -	\$ -	\$ 26,568
Construction in progress	18,584	792,748	18,584	792,748
Capital assets being depreciated:				
Buildings and improvements	3,230,625	4,263	-	3,234,888
Road equipment	3,332,352	145,911	116,433	3,361,830
Shop equipment	83,439	2,447	-	85,886
Engineers' equipment	20,719	1,948	-	22,667
Office equipment	67,055	6,250	-	73,305
Infrastructure - Roads	2,709,689	1,516,640	(14,893)	4,241,222
Infrastructure - Bridges	35,235	-	(3,691)	38,926
Total capital assets	<u>9,524,266</u>	<u>2,470,207</u>	<u>116,433</u>	<u>11,878,040</u>
Less accumulated depreciation:				
Buildings and improvements	383,761	98,052	-	481,813
Road equipment	2,732,097	244,139	116,433	2,859,803
Shop equipment	60,142	3,576	-	63,718
Engineers' equipment	15,516	1,267	-	16,783
Office equipment	57,214	3,195	-	60,409
Infrastructure - Roads	29,858	157,987	-	187,845
Infrastructure - Bridges	395	705	-	1,100
Total accumulated depreciation	<u>3,278,983</u>	<u>508,921</u>	<u>116,433</u>	<u>3,671,471</u>
Capital assets, net	<u>\$ 6,245,283</u>	<u>\$ 1,961,286</u>	<u>\$ -</u>	<u>\$ 8,206,569</u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE E - ROAD COMMISSION CAPITAL ASSETS (continued)

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

NOTE F – DISTRICT HEALTH CAPITAL ASSETS

A summary of capital assets as of December 31, 2005 for the Dickinson-Iron District Health Department:

Capital assets:

Equipment	\$ 82,352
Less: Accumulated depreciation	14,666
Capital assets, net	<u>\$ 67,686</u>

NOTE G – MEDICAL CARE FACILITY CAPITAL ASSETS

A summary of capital assets as of December 31, 2005 for the Iron County Medical Care Facility:

	<u>01/01/05</u>	<u>Additions</u>	<u>Transfers</u>	<u>12/31/05</u>	<u>Depreciable Life - Years</u>
Land and land improvements	\$ 445,760	\$ -	\$ -	\$ 445,760	
Building	9,089,473	10,133,465	-	19,222,938	10 - 25
Fixed equipment	1,030,909	-	-	1,030,909	10 - 40
Moveable equipment	1,516,221	326,446	266,898	2,109,565	4 - 20
Construction in progress	266,898	-	(266,898)	-	
Total capital assets	<u>12,349,261</u>	<u>10,459,911</u>	<u>-</u>	<u>22,809,172</u>	
Less accumulated depreciation:					
Land and land improvements	385,724	13,944	-	399,668	
Building	2,413,798	387,171	-	2,800,969	
Fixed equipment	954,492	15,903	-	970,395	
Moveable equipment	1,154,822	99,731	-	1,254,553	
Total accumulated depreciation	<u>4,908,836</u>	<u>516,749</u>	<u>-</u>	<u>5,425,585</u>	
Net carrying amount	<u>\$ 7,440,425</u>	<u>\$ 9,943,162</u>	<u>\$ -</u>	<u>\$ 17,383,587</u>	

During the year ended December 31, 2005, a 71-bed addition to the Facility was completed. The costs of the project were paid from County bonds. The bonds will be paid for by a voter-approved millage.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

Type of Debt	Balance 1/01/05	Additions	Deductions	Balance 12/31/05	Amounts Due Within One Year
Governmental activities:					
General Obligation Unlimited Tax Bonds:					
Medical Care Facility	\$ 930,000	\$ -	\$ 930,000	\$ -	\$ -
Jail	2,220,000	-	2,080,000	140,000	140,000
Medical Care Facility - 2002	8,840,000	-	355,000	8,485,000	360,000
County Courthouse Complex - 2003	2,792,230	-	50,000	2,742,230	50,000
Refunding Bonds - 2005	-	2,960,000	-	2,960,000	140,000
General Obligation Limited Tax Bonds:					
County Courthouse Complex - 2003	394,000	-	7,000	387,000	7,000
US 2 Lift Station Improvements - 2004	120,000	-	13,000	107,000	2,000
Maintenance of Effort	289,176	-	4,811	284,365	-
Compensated absences	200,930	9,745	-	210,675	52,669
Total governmental activities long-term debt	<u>\$15,786,336</u>	<u>\$ 2,969,745</u>	<u>\$ 3,439,811</u>	<u>\$15,316,270</u>	<u>\$ 751,669</u>

Debt service requirements on long-term debt at December 31, 2005 are as follows:

For the Year Ending December 31	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2006	\$ 699,000	\$ 587,890
2007	737,000	564,763
2008	763,000	540,920
2009	798,000	514,386
2010	834,000	485,172
2011-2015	4,287,000	1,919,246
2016-2020	3,415,000	1,135,991
2021-2025	1,985,000	421,827
2026-2030	764,000	214,886
2031-2033	539,230	46,541
Total	<u>\$ 14,821,230</u>	<u>\$ 6,431,622</u>

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H – LONG-TERM DEBT (continued)

Governmental Activities:

Jail Bonds, Series 1995

Jail Bonds, Series 1995 are general obligation unlimited tax bonds that were issued by the County to construct and equip the County jail facility. The bonds are payable semi-annually on May 1 and November 1 until maturity and bear interest at varying rates from 5.0% to 8.0%. Bonds are due serially from May 1, 1996 until May 1, 2015.

Bonds maturing prior to May 1, 2007 shall not be subject to redemption prior to maturity. Bonds maturing on or after May 1, 2007 shall be subject to redemption prior to maturity at the option of the County, in any order, in whole or in part on any interest payment date on or after May 1, 2006. Bonds called for redemption shall be redeemed at par, plus accrued interest to the date fixed for redemption, plus a premium, if any, expressed as a percentage of par as follows:

- 2% if redeemed on or after May 1, 2006, but before May 1, 2009; or
- 1% if redeemed on or after May 1, 2009, but before May 1, 2012; or
- Bonds redeemed on or after May 1, 2012 shall be redeemed at par

Medical Care Facility Bonds - 2002

Medical Care Facility Bonds, 2002 are general obligation unlimited tax bonds that were issued by the County for the purpose of acquiring, constructing and equipping a 71-bed addition to, and renovating and equipping portions of the County's Medical Care Facility. The bonds are payable semi-annually on June 1 and November 29 until maturity, and bear interest at varying rates from 2.0% to 4.6%. Bonds are due serially from June 1, 2003 until June 1, 2022.

The bonds maturing in the years 2003 to 2012, inclusive, shall not be subject to optional redemption prior to maturity. The bonds or portions of bonds in multiples of \$5,000 maturing in the years 2013 to 2022, inclusive, shall be subject to redemption at the option of the County in such order of maturity as the County shall determine and within a single maturity by lot on any interest payment date on or after June 1, 2012 at par plus accrued interest to the date fixed for redemption.

Bonds maturing on June 1, 2022 (the "Term Bonds") are subject to mandatory redemption by the County at par plus accrued interest to the date of redemption on the dates and in the principal amounts set forth in the following table. The Term Bonds to be mandatorily redeemed shall be selected by lot in such a manner as shall be determined by Fifth Third Bank, Michigan, Grand Rapids, Michigan ("the Transfer Agent").

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H – LONG-TERM DEBT (continued)

<u>Term Bond Due June 1, 2002</u>	
Redemption	
<u>June 1</u>	<u>Amount</u>
2020	\$ 630,000
2021	660,000
2022	690,000

2003 County Courthouse Complex Tax Bonds

2003 County Courthouse Complex Bonds consist of general obligation unlimited tax bonds issued in the amount of \$2,837,230 for the purpose of paying part of the cost to acquire, construct and equip renovations and improvements to the County Courthouse Complex. Bond principal and interest requirements will be met by an ad valorem tax levy of .6 mills.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004, and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter, until August 1, 2033.

Refunding Bonds, Series 2005

2005 Refunding Bonds consist of general obligation unlimited tax refunding bonds issued in the amount of \$2,960,000 for the purpose of refunding the County's Medical Care Facility Bonds, Series 1992, maturing in the years 2006 through 2012 and the County's Jail Bonds, Series 1995, maturing in the years 2007 through 2015. Bond principal and interest requirements will be met by an ad valorem tax levy of .675 mills.

These bonds bear interest at varying rates from 3.0% to 4.0%, with interest payable on May 1, 2005, and semi-annually thereafter. Principal payments are required to be made May 1, 2006, and annually thereafter, until May 1, 2015.

2003 County Courthouse Complex Limited Tax Bonds

2003 County Courthouse Complex Limited Tax Bonds consist of general obligation limited tax bonds issued in the amount of \$400,000 for the purpose of paying part of the costs to acquire, construct and equip renovations and improvements to the County Courthouse Complex.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004, and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter until August 1, 2033.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H – LONG-TERM DEBT (continued)

2004 US 2 Lift Station Improvement Limited Tax Bonds

2004 US 2 Lift Station Bonds consist of general obligation limited tax bonds issued in the amount of \$120,000 for the purpose of paying all or part of the costs of capital improvements consisting generally of improvements to the US 2 Lift Station at the Bristol Pump Station that serve the Iron County Medical Care Facility.

These bonds bear an interest rate of 5.24%, with interest payable on February 12, 2005, and semi-annually thereafter, provided that the principal payments required herein to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made by August 12, 2005, and annually thereafter until August 12, 2024.

Maintenance of Effort Obligation

Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. M.O.E. is being paid by the County out of voter approved millage funds.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$210,675 are reported under the governmental activities in the Statement of Net Assets.

NOTE I - ROAD COMMISSION LONG-TERM DEBT

Bonds Payable:

Michigan Transportation Fund Bonds, Series 2003 – On January 1, 2003, the County of Iron issued Michigan Transportation Fund Bonds in the amount of \$2,300,000, for the purpose of acquiring, constructing, and furnishing and equipping a new county road commission central garage complex for use by the Iron County Road Commission. The issue requires semi-annual payments each February 1st and August 1st for a term of 30 years with a variable interest rate between 3.75% and 5.00%. February 1st payments consist of interest only and August 1st payments consist of principal and interest. Final payment is due August 1, 2032.

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I - ROAD COMMISSION LONG-TERM DEBT (continued)

Leases Payable:

Caterpillar Finance Services— In 2005, the Iron County Board of Road Commissioners entered into a lease purchase agreement to finance the acquisition of a Caterpillar Track-Type Tractor. The agreement requires annual payments of \$15,666 at 5.35% interest on January 23rd, and a final payment due on January 23, 2011.

Compensated Absences:

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The annual vacation benefits earned by each employee are credited at the beginning of the year. An employee who is eligible for vacation leave in excess of twenty (20) days, may, with the consent of the employer, take pay at the employee's regular rate of pay for time in excess of twenty (20) days in-lieu-of vacation leave.

Employees may carry over a maximum of ten (10) days vacation into the next year. An employee leaving the services of the Road Commission will be paid all unused vacation carried over to January 1st up to a maximum of ten (10) days, plus any vacation earned, on a prorated basis to the end of the month of separation, in accordance with the vacation policy in effect at this time.

Road Commission employment policies provide that each full-time employee shall earn sick leave with pay at the rate of eight (8) hours for each month of employment in which the employee is compensated for at least eighteen (18) days, with unlimited accumulation. Upon permanent separation from employment, employees shall be paid for all of their accumulated sick leave at the employee's prevailing rate of pay up to a maximum of ninety (90) days. In the event their balance at time of retirement is over ninety (90) days, all accumulated excess of the ninety (90) days will be paid at the rate of fifty percent (50%). The total sick and vacation leave amount of \$303,110 is recorded in the statement of net assets as a liability.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I - ROAD COMMISSION LONG-TERM DEBT (continued)

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 1/1/2005	Additions	Deductions	Balance 12/31/2005
Bonds payable:				
Road Commission Facility Project	\$ 2,190,000	\$ -	\$ 45,000	\$ 2,145,000
Leases payable:				
Caterpillar Track-Type Tractor	-	66,900	-	66,900
(2) International Quad Axle Dump Trucks	56,707	-	56,707	-
Wheel Loader #380	119,109	-	119,109	-
Wheel Loader #381	115,932	-	115,932	-
Vested Employee Benefits Payable:				
Vacation Benefits	24,591	-	779	23,812
Sick Leave Benefits	283,074	-	3,776	279,298
Total long-term debt	<u>\$ 2,789,413</u>	<u>\$ 66,900</u>	<u>\$ 341,303</u>	<u>\$ 2,515,010</u>

Debt service requirements on long-term debt at December 31, 2005 are as follows:

For the Year Ending December 31	County Road Commission			
	Bonds Payable		Leases Payable	
	Principal	Interest	Principal	Interest
2006	\$ 45,000	\$ 96,948	\$ -	\$ -
2007	45,000	95,260	12,120	3,546
2008	50,000	93,573	12,763	2,903
2009	50,000	91,698	13,439	2,227
2010	50,000	89,823	14,151	1,515
2011-2015	285,000	418,335	14,427	765
2016-2020	350,000	354,350	-	-
2021-2025	445,000	266,845	-	-
2026-2030	560,000	1,551,900	-	-
2031-2032	265,000	20,000	-	-
Total	<u>\$ 2,145,000</u>	<u>\$ 3,078,732</u>	<u>\$ 66,900</u>	<u>\$ 10,956</u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J – MEDICAL CARE FACILITY LONG-TERM DEBT

To finance the assisted-living project, the Facility entered into a capital lease arrangement with Iron County. The Facility will make payments to the County equal to the required principal and interest payments on the bonds acquired by the County. The bond yield currently is 5.44%, with a final maturity on November 14, 2022. Principal and interest are due semiannually on May 14th and November 14th.

The finance renovations to a lift station, the Facility entered into an agreement with Iron County. The note has an interest rate of 6.24%, with a final maturity of August 12, 2023. Principal payments are due on August 12th and interest payments are due on February 12th and August 12th.

Long-term debt activity for the year ended December 31, 2005 was as follows:

	<u>1/1/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2005</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 3,761,195	\$ -	\$ (127,902)	\$ 3,633,293	\$ 134,879
Notes Payable	<u>-</u>	<u>120,000</u>	<u>(14,000)</u>	<u>106,000</u>	<u>4,000</u>
Total	<u>\$ 3,761,195</u>	<u>\$ 120,000</u>	<u>\$ (141,902)</u>	<u>\$ 3,739,293</u>	<u>\$ 138,879</u>

The following is a schedule of bond and loan principal and interest, and future minimum lease payments as of December 31, 2005:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 138,879	\$ 200,896
2007	146,316	193,711
2008	154,084	185,735
2009	162,504	177,106
2010	172,197	168,221
2011-2015	1,001,680	697,389
2016-2020	1,306,361	393,216
2021-2023	<u>657,272</u>	<u>50,149</u>
Total	<u>\$ 3,739,293</u>	<u>\$ 2,066,423</u>

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE K - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 268,177	\$ 430,233
County Parks	90,000	-
Maintenance of Effort - Medicare Fund	-	366,145
Friend of the Court Incentive	-	1,620
Budget Stabilization Fund	31,000	-
Revenue Sharing Reserve Fund	-	223,904
Enhanced 911 Fund	20,000	-
Child Care Fund	65,000	-
Drug Court Grant	41,215	-
Law Library	20,000	-
Plat Book Fund	7,000	-
Airport Fund	10,000	-
Alcohol Assessment	-	3,510
Veterans Trust Fund	45,231	-
Fairgrounds Fund	2,500	-
Jail Bond Retirement	-	77,375
Refund Bond Debt Service	77,375	-
2003 Courthouse Debt Retirement	15,000	-
2003 Road Commission Building Debt	143,635	-
Courthouse Repair Fund	65,414	-
2004 MCF Debt Retirement Fund	11,507	-
Courthouse Construction Fund	-	14,414
2004 MCF Construction Fund	-	11,507
Enterprise Funds:		
Construction Code Fund	-	3,000
Tax Revolving 2001	-	210
Tax Revolving 2002	-	10,111
Tax Revolving 2003	-	31,786
Tax Revolving 2004	-	730,006
Tax Revolving 2005	728,465	-
Tax Revolving Administration	3,994	-
Component Units:		
Road Commission	-	143,634
District Health	35,797	-
Medical Care Facility	366,145	-
Total	<u>\$ 2,047,455</u>	<u>\$ 2,047,455</u>

COUNTY OF IRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L - RETIREMENT PLANS

General County

Plan Description – The County of Iron participates in a defined benefit contributory retirement plan administered by the Municipal Employee's Retirement System (MERS). The retirement plan covers substantially all full-time and limited part-time employees. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. All full-time employees of the County participate in the system.

MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

General County Retirement Plan – The General County offers its various departments either benefit B-1, B-2 or B-3. Under benefit B-1 employees shall receive 1.7% of their three-year final average compensation (FAC); under benefit B-2 employees shall receive 2.0% of their three-year FAC; and under benefit B-3 provides for employees to receive 2.25% of FAC, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, plus a percentage based on age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L - RETIREMENT PLANS (continued)

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 5,407,017
Terminated employees not yet receiving benefits	698,429
Non-vested terminated employees	30,407
Current Employees:	
Accumulated employee contributions including allocated investment income	1,338,993
Employer financed	<u>8,806,059</u>
 Total actuarial accrued liability	 16,280,905
 Net assets available for benefits, at actuarial value (market value is \$13,711,788)	 <u>14,047,247</u>
 Unfunded (overfunded) actuarial accrued liability	 <u><u>\$ 2,233,658</u></u>

GASB 27 INFORMATION (as of 12/31/04)

Fiscal year beginning	January 1, 2006
Annual required contribution (ARC)	\$ 620,172
Amortization factor used	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 161,063	100%	-
2003	162,957	100%	-
2004	164,988	100%	-

The General County was required to contribute \$176,554 for the year ended December 31, 2005. Payments were based on contribution calculations made by MERS.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L - RETIREMENT PLANS (continued)

The County is required to contribute at an actuarially determined rate, which are a percentage of covered payrolls as listed below:

Valuation Division	Contribution Percentage		
	2006*	2005*	2004*
General	14.79%	14.40%	14.31%
Sheriff	13.23%	12.69%	9.30%
ASFME Union Employees	4.25%	4.25%	4.25%
AFSCME Courthouse Employees	11.23%	12.10%	13.42%
911 Dispatchers	10.90%	7.88%	10.91%
Sheriff & Undersheriff	13.48%	12.55%	10.83%
Admin Staff & RN Group	15.52%	15.88%	16.63%
SEIU Union Employees	4.25%	4.25%	4.25%
RN Employees	10.58%	10.33%	10.72%
MCF/Crystal Manor	4.25%	4.25%	4.25%

* Represents the actuarial required contribution for the fiscal year ended.

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
December 31,	(AAL)					
2002	\$ 13,573,832	\$ 11,569,884	\$ 2,003,948	85%	\$ 6,267,699	27%
2003	15,366,394	12,919,386	2,447,008	84%	8,042,254	30%
2004	16,280,905	14,047,247	2,233,658	86%	7,879,383	28%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

County Road Commission - Component Unit

Plan Description – The Iron County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2004.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L - RETIREMENT PLANS (continued)

The Road Commission offers its participants either benefits B-3 or B-4. Under benefit B-3, employees shall receive 2.25% of their five-year final average compensation with a maximum benefit of 80% of final average compensation. Under benefit B-4, employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirement vary by plan division. The most recent actuarial report gives the details of the plan and a copy is on file at the Road Commission office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,224,621
Terminated employees not yet receiving benefits	96,434
Current Employees:	
Accumulated employee contributions including allocated investment income	13,020
Employer financed	<u>4,564,761</u>
Total actuarial accrued liability	8,898,836
Net assets available for benefits, at actuarial value (market value is \$4,925,183)	<u>5,045,678</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 3,853,158</u></u>

GASB 27 INFORMATION (as of 12/31/04)

Fiscal year beginning	January 1, 2006
Annual required contribution (ARC)	\$ 320,544
Amortization factor used - underfunded liabilities (32 years)	0.053632

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L - RETIREMENT PLANS (continued)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 262,089	100%	\$ -
2003	269,972	100%	-
2004	305,609	100%	-

The Road Commission was required to contribute \$333,337 for the year ended December 31, 2005. Payments were based on contributions calculations made by MERS.

The Road Commission is required to contribute at an actuarially determined rate, which are a percentage of covered payrolls as listed below:

Valuation Division	Contribution Percentage		
	2006*	2005*	2004*
Comm/Sal/Non-Un	29.29%	34.19%	29.82%
Tmsters Local 328	30.62%	27.10%	26.36%
Hourly Non-Union	26.78%	27.15%	25.11%

* Represents the actuarial required contribution for the fiscal year ended.

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 4,737,919	\$ 8,001,922	\$ (3,264,003)	59%	\$ 1,052,519	310%
2003	4,877,534	8,494,617	(3,617,083)	57%	1,099,393	329%
2004	5,045,678	8,898,836	(3,853,158)	57%	1,081,518	356%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L - RETIREMENT PLANS (continued)

District Health - Component Unit

The Dickinson-Iron District Health Department is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The Health Department offers either benefit B-2 or B-4. Under benefit B-2, employees shall receive 2.0% of their three-year final average compensation (FAC). Under B-4, employees shall receive 2.5% of FAC, with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.